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Who's the Boss? Explaining Gender Inequality in Entrepreneurial Teams

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Abstract

Sociologists have examined gender inequalities across a wide array of social contexts. Yet, questions remain regarding how inequalities arise among autonomous groups pursuing economic goals. In this article, we investigate mixed-sex entrepreneurial teams to unpack the mechanisms by which gender inequality in leadership emerges, despite strong pressures toward merit-based organizing principles. We theorize the potentially competing relationships between merit and gender and explore the contingencies moderating their effects. Drawing on a unique, nationally representative dataset of entrepreneurial teams sampled from the U.S. population in 2005, we use conditional logistic regression to test our hypotheses. We demonstrate that merit's effect becomes much larger when multiple merit-based criteria provide consistent predictions for which team member is superior to others, and when entrepreneurial founders adopt bureaucratic templates to construct new ventures. However, gender stereotypes of leaders pervasively constrain women's access to power positions, and gender's effect intensifies when spousal relationships are involved. Women have reduced chances to be in charge if they co-found new businesses with their husbands, and some family conditions further modify women's chances, such as husbands' employment and the presence of children.

Keywords

gender inequality, meritocracy, entrepreneurship, social status, self-employment

Since the early twentieth century, sociologists have noted that entrepreneurship is a deeply held ideal in U.S. society. Mills (1951) was among the first to observe the growing cultural appeal of small business ownership after World War II. He pointed out that, concurrently with the growth of corporate bureaucracies, working on one's own had become an admired feature of the American dream. Other sociologists at the time noted that for working- and lower-middle-class workers, self-employment was perceived as a vehicle for mobility into the middle class (Chinoy 1955). Today, large-scale surveys and in-depth interviews show solid evidence for the appeal of entrepreneurship and its major features, such as autonomy and opportunities to perform challenging work (Aldrich and Yang 2012). Inspired by the cultural attractiveness of entrepreneurship, 12 million Americans embark on new venture creations each year,

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aspiring to become their own boss rather than someone else's employee (Reynolds and Curtin 2009).

Not every entrepreneur, however, gets a chance to be the boss. Unlike many heroes celebrated in the media who achieve success on their own, entrepreneurs often launch new businesses with co-founders (Ruef 2010; Ruef, Aldrich, and Carter 2003). Some founders have excellent opportunities to become lead entrepreneurs and receive a disproportionate share of the benefits, whereas others become minor figures, playing supportive roles (Aldrich and Ruef 2006). The uneven distribution of rewards and leadership in entrepreneurial teams is not surprising: hierarchical differentiation of individuals with regard to status, authority, and compensation is nearly universal in human groups, across a large array of social contexts (Gould 2002; Lynn, Podolny, and Tao 2009; Weber 1968). Substantial questions remain, however, regarding the mechanisms by which social inequalities arise in business groups.

Theories of entrepreneurship and organizations argue that who gets to be the boss is affected by an economic or meritocratic logic that legitimizes rewarding individuals based on their task competence (Castilla and Benard 2010). Many scholars stress that meritocracy has been culturally accepted as a distributive principle in most capitalist societies (Ladd and Bowman 1998). Other researchers observe that meritocracy is particularly salient in business, because pay for skills and rewards for performance have been legitimized in the major institutional sectors of capitalist societies—the professions, the state, and the market—and incorporated into the rationalization of modern organizations (Meyer and Rowan 1977). In true meritocratic systems, merit determines who benefits, and individuals' competencies and contributions are evaluated in a universalistic way, regardless of their ascribed characteristics. Not all theorists agree, however, that merit is a central explanation for who benefits (Charles and Grusky 2007; Ridgeway 2011).

In contrast to the merit-based view, some sociologists argue that despite the rise of egalitarian values, *ascribed attributes,* especially gender, remain a basis for distributing rewards and assigning leadership (Charles 2011; England 2010; Gorman and Kmec 2009; Ridgeway 2011). Emphasizing gender as a framing device rooted in society-wide classification systems, sociologists of gender have proposed three ways by which gender trumps or modifies the effect of merit (Ridgeway and Smith-Lovin 1999). First, according to expectation states theory, social beliefs about gender entail hegemonic assumptions, leading individuals to discriminate (often unconsciously and automatically) against women by discounting their competencies (Berger, Rosenholtz, and Zelditch 1980; Correll, Benard, and Paik 2007; Ridgeway, Johnson, and Diekema 1994). Second, gender-stereotyped expectations operate in self-fulfilling ways that compel individuals to initiate gender-compatible behaviors (Berk 1985; West and Zimmerman 1987). Third, gendered roles in marriage and the family imprint social practices in business groups and alter the instrumental rules implied by the rationalities embedded in markets (Aldrich and Cliff 2003; Budig 2006a; Gorman 1999; Hodges and Budig 2010). Because normative expectations regarding family presume men's breadwinner identity and women's support for their husbands' careers, as well as women's responsibility for childcare and housework, the extent to which men and women devote themselves to business activities depends less on their merit and more on their breadwinner/provider roles (Budig 2006a; Jurik 1998). Seen from the ascribed attributes perspective, "who gets to be the boss" results primarily from social processes in which entrepreneurial groups configure task roles based on social beliefs and practices regarding gender.

Building on the insight that meritocracy has become a virtually consensual distributive rule in modern society, whereas gender still acts as an unacknowledged cultural and cognitive principle for organizing social relations (Ridgeway and Correll 2004), we seek to understand how merit and gender *jointly* affect

status distinctions. Conceptualizing meritocracy and gender logic as society-level frames that potentially shape status distinctions, we examine the salience of the two logics and their relative strengths in entrepreneurial groups, contingent on micro-level conditions (Acker 1990; Charles 2011; England 2010). For example, under what conditions are entrepreneurial teams more likely to implicitly acknowledge the importance of merit and minimize potential biases against women? And under what conditions do entrepreneurial teams rely more on gender than on merit to form task roles, despite pressures for economically efficient performance? We tackle such questions by first describing the relationship between the two logics and then exploring four sets of conditions that modify their salience: (1) uncertainty regarding competence, (2) formalization of business practices, (3) preexisting social relations between co-founders, and (4) family household conditions.

We believe questions regarding individuals' leadership and task roles in entrepreneurial teams deserve more systematic examination. Whereas scholars in the field of organizations and entrepreneurship focus mostly on social conditions affecting the recruiting of co-founders (Ruef et al. 2003), research on gender inequality chiefly focuses on formal organizations, informal groups in experimental settings, and the division of housework between spousal couples. We build on this earlier research in three ways.

First, compared to task groups in large organizations, entrepreneurial teams involve a smaller degree of formalization in top-down status allocation. Researchers have demonstrated that managers' biased views of women's competence heavily influence gender inequality in income and job mobility in *large* organizations (Castilla 2011; Castilla and Benard 2010; Gorman 2005). In emerging businesses, most entrepreneurial groups conduct startup activities in an irregular and casual fashion, and team members form task relations and allocate leadership on their own, without regulations imposed by managers (Shane 2008). As Phillips (2005:467) noted, the study of small firms "increases the relevance of group-level research on the emergence and persistence of gender hierarchies . . . because small firms are closest to the laboratory groups in which the replication of routines and gender hierarchies has been experimentally identified."

Second, we improve on experimental studies by theorizing real-life scenarios that complicate task configurations among closely related people. Experimental studies have relied on randomly constructed groups to investigate effects of social beliefs about gender. Researchers have studied how women and men with no prior connections develop expectations for each other in hypothetical task settings (Ridgeway et al. 1994) and how participants in audit studies evaluate job applications from strangers (Correll et al. 2007). In reality, social groups oriented toward collective goals often comprise people with preexisting social relationships, and the tasks they attempt to solve are complicated by other features of the social context. By studying *naturally forming social groups,* we shed light on gender effects that are difficult to build into experimental studies.

Third, entrepreneurial groups provide a natural setting for examining gender inequality at the intersection of family and business. In contrast to non-entrepreneurial spousal couples, in which domestic partners divide housework based on their individual employment and income, entrepreneurial teams involve direct cooperation toward task-oriented goals. Most recent research on the division of labor within households takes for granted the transformation of U.S. families since the nineteenth century, a period during which economic production was separated from family households (Winch 1970). As a consequence, gender researchers have focused on labor-market economic dependence between husbands and wives, emphasizing wages and salaries as the determinant of personal bargaining power in social exchange (Berk 1985; Bianchi et al. 2000). Nonetheless, in the early twenty-first century, we find remnants of household-based production in the small

business sector of the economy, with family members collectively engaging in direct cooperation to generate household income (Aldrich and Cliff 2003; Carr 1996). We thus study small enterprises to shed light on how the gender logic that shapes social relations in families intersects the meritocratic logic that is nominally the dominant principle influencing business groups.

Using a nationally representative sample of entrepreneurial groups in the United States from the Panel Study of Entrepreneurial Dynamics II (PSED II), we demonstrate that merit-based organizing logic influences leadership choices when uncertainty regarding competencies is relatively low and ventures are more formalized. In contrast, gender logic becomes highly salient when the social conditions surrounding marriage and family—that is, spousal relationships, motherhood, and fatherhood—reinforce the imprinting effects of gender.

THEORETICAL FRAMEWORK AND TESTABLE SPECIFICATIONS

Our theoretical framework focuses on the interface between cultural beliefs and microinteractional conditions (Powell and Colyvas 2008; Ridgeway 2009; Ridgeway and Smith-Lovin 1999). At the societal level, meritocracy has been culturally accepted as a legitimate distributive principle (Castilla and Benard 2010), but gender remains an implicit cultural/cognitive rule (Acker 1990; Charles 2011; Ridgeway 2011). Cultural beliefs about merit and gender affect power and prestige orders in social groups by prescribing the aggregated expectations that social actors rely on to organize task relations (Berger et al. 1998; Lucas 2003).

In modern business organizations, where the logic of meritocracy creates an a priori expectation that leadership will be merit-based, gender remains salient in nearly every aspect of entrepreneurial practices (Calas, Smircich, and Bourne 2009; Gorman 2005; Ridgeway and Correll 2004). During the creation of new businesses, entrepreneurs' choices of co-founders are heavily constrained by the structural opportunities shaped by prior network ties (Ruef 2010). Many opportunities will involve others of the same gender, but people spend a considerable amount of time with their spouses, the vast majority of whom are of the opposite gender (Ridgeway and Correll 2004). As the most proximate of the many social relations in which entrepreneurs are embedded, spousal relationships constitute a large proportion of mixed-sex entrepreneurial teams (Ruef et al. 2003). In addition to mixed-sex interactions, entrepreneurial tasks are infused with gendered cultural meanings, reinforcing the relevance and saliency of gender logic (Eagly and Carli 2007; Gorman 2005). New venture creation has historically been seen as an arena for business*men,* and the purported characteristics of successful entrepreneurs—for example, agentic, pragmatic, and risk-taking—are stereotypically masculine (Calas et al. 2009). When gender acts as a salient status characteristic, cultural beliefs about gender prescribe lower expectations for women's competence and constrain women's opportunities to assume leadership (Foschi 2000).

Conditions That Promote the Application of Meritocratic Logic

Based on the premise that meritocracy and gender logic jointly shape men's and women's chances to lead, we seek to understand the contingencies moderating their salience and influence in assigning leadership. We first explore two organizing conditions that may attenuate gender and accentuate meritocracy: uncertainty and organizational formalization.

Uncertainty regarding competence. Uncertainty is a key contextual condition that triggers the social construction of status hierarchies (Gorman 2006; Lynn et al. 2009). Although competence or quality is the ostensible basis for evaluations, it is fundamentally latent (not directly observable); individuals

must thus rely on what can be observed—status characteristics—to draw inferences about competence, especially when initial status rankings are formed (Gorman and Kmec 2009). Kanter (1977) noted that decision-makers' favoritism based on gender intensifies when uncertainty increases the difficulty of observing and measuring job candidates' abilities (Gorman 2005). Even if individuals have information on each other's skills and knowledge, they may still lack evidence that these qualities truly indicate underlying competence (Gorman 2006; Lynn et al. 2009).

In addition to the hidden nature of "true" competence, uncertainty arises when multiple instrumental indicators imply contradictory predictions regarding competence. For example, whereas some individuals are judged more competent based on education, others are more competent by virtue of industry-specific experience (Berger et al. 1992). For entrepreneurship, as articulated by Lazear (2005) in his Jack-of-all-trades theory, success requires mastery of a wide range of functional areas, so entrepreneurs may find co-workers who have broad knowledge and experience more competent. When multiple merit-based criteria are salient but team members' relative competencies based on these factors are not consistent, the resulting contradictory predictions likely cloud individuals' judgments regarding one another's hierarchical differences. Under such conditions, merit becomes a less straightforward basis for evaluating competence, and actors may rely more heavily on gender to infer task ability.

We argue that entrepreneurs are more likely to invoke merit and reflectively consider the consequences of discounting women's competence when they are more certain about the task competence implied by observable merit-based indicators. We posit two circumstances that may increase certainty regarding competence: (1) the extent to which team members have obtained evidence that observable merit-based characteristics truly indicate task competence; and (2) the extent to which team members are ranked consistently based on multiple merit-based criteria. These two circumstances should increase the salience of specific status characteristics and suppress the salience of gender.

Formalization of entrepreneurial ventures. In addition to uncertainty, organizational and institutional structures affect the extent to which gender modifies leadership formation based on merit (Ridgeway 2009; Whittington and Smith-Doerr 2008). Building on Weber's (1968) insight into pure types of organizations, neo-institutional (NIT) scholars argue that entrepreneurial founders construct organizations by following normative or cultural blueprints (Aldrich and Yang 2012; Meyer and Rowan 1977). Several studies show that founders' blueprints influence gender inequality among employees and managers (Baron et al. 2007; Phillips 2005). We argue that founders' organizing blueprints also influence their task relations with each other.

We focus on written documents regarding organizing principles and formal agreements, because they codify new organizations' practices and signal founders' ceremonial conformity to meritocratic principles (Meyer and Rowan 1977). Entrepreneurial founders who adopt files "preserved in their original or draft form" (Weber 1968:957) to construct new businesses may be inclined to incorporate other essential elements of bureaucratic forms, including relying on merit-based qualifications to assign leadership. In addition, the symbolic act of documenting procedures, such as signing a formal ownership agreement or completing a written business plan, directly increases the salience of meritocracy by emphasizing the economic benefits at stake and the team's reliance on merit-based qualifications. Formalized organizational templates also make entrepreneurs more accountable for their assessments of one another's competence, raise the visibility of their departures from merit-based assessments, and thus potentially make them more cognizant of undermining merit-based assessments with ones based on gender (Foschi 1996). Therefore, we expect entrepreneurial teams that

adopt formal documents will discount women's competence less and rely on merit more.

Conditions That Promote the Application of Gender Logic

We began by theorizing the variations in uncertainty and formalization that affect individuals' compliance with the logic of meritocracy; we now turn to the conditions that intensify the effect of gender logic. We pay close attention to households and families because they are the contexts within which a large proportion of new businesses are created and within which gendered expectations for wife/husband and mother/father are salient (Berk 1985; Kim, Longest, and Aldrich 2013; Ridgeway 2011).

What is special about spousal relationships? Our argument regarding spousal relationships concerns the extent to which gender identities embedded in social relationships imply strong expectations for who should lead. Theorists of social interaction argue that when individuals interact with others, they routinely engage in gender-appropriate behaviors to hold themselves accountable to normative expectations (Garfinkel 1967; Goffman 1977). Emphasizing gender as "a routine accomplishment embedded in everyday interaction," West and Zimmerman (1987:125) argue that individuals are predisposed to sex categorizations and thus initiate gender-compatible behaviors to fulfill their perceived "essential" male and female natures (West and Zimmerman 2009). Following the doing gender perspective, we theorize that an emerging new business constitutes a social stage for gender displays, and the act of taking the lead is a social practice through which entrepreneurs express gendered social meanings.

A key condition shaping the extent to which individuals are led to play principal roles involves the particular gender expectations they attempt to fulfill. Jenkins (2008) argues that the gender-typed identities individuals routinely play are specifically framed in relationships with others and are associated with different expectations for self-fulfilling behaviors. Ridgeway (2011:70) makes a similar point: gender acts in combination with other social roles so that "the extent to which gender stereotypes modify or bias behaviors or judgments in social relations varies from one situation to another." Following this reasoning, we argue that entrepreneurs' social relationships with co-founders delineate the symbolic meanings of gender and thus will modify the extent to which gender logic shapes who takes the lead.

Given our argument, it is possible that some gendered expectations will evoke only weak pressures favoring men taking the lead (Ridgeway 2009). In particular, scholars of gender suggest that gender's influence is less central in friendship and kinship than in married couples (Bianchi et al. 2000). In a discussion of cross-sex friendship, O'Meara (1989:527) argues that the phrase "just a friend" shows that the norms concerning cross-sex friendships are "vague, confusing, and open to misinterpretation" in U.S. culture. Research on social networks has found that people in cross-sex friendships share egalitarian attitudes and value each other's competencies (Kalmijn 2002). When entrepreneurs are connected by social relationships in which gender's influence is less central and the level of inter-personal egalitarianism is relatively high, the process of leadership formation may be less influenced by gender.

Compared to friendship and kinship, spousal relationships are deeply imbued with symbolic displays of masculine and feminine accountability, which may exert a strong influence on leadership formation in spousal teams (Brines 1994; Fenstermaker and West 2002; Nock 1998). In U.S. culture, spousal partnerships are often described as the most intimate relationships (Ketokivi 2012; Swidler 2003), and spouses' social roles have been institutionalized as "breadwinners" and "homemakers," with these terms indicating men's primary responsibility for earning (most) household income and women's economic (at least partial) dependency on their

husbands (Berk 1985; Gorman 1999). Empirical research on the division of labor in housework suggests gender is encoded to a greater extent in marital than in nonmarital relationships; husbands and wives are thus under stronger compulsion to adhere to normative expectations for carrying out gender-typical work than are unmarried people (Bittman et al. 2003; Schneider 2012; South and Spitze 1994; Thébaud 2010).

In addition to delineating salient gendered identities, marriage also serves as an institution where men and women come into frequent and intimate contact, thus allowing them to re-create and reinforce their roles. Nock (1998:29) argues that being married embodies the cultural schema of successful masculinity, and "it is through their marriages, more than any other way, that men conform to shared ideals of manhood." Accordingly, masculinity is an acquired identity that strengthens as men demonstrate their fitness for the role of "husband." Institutionalized identities in marriage that are infused with gendered cultural meanings will thus push husbands to take the lead in new ventures. We therefore expect to see more pronounced gender inequality in spousal teams than in non-spousal teams.

Family embeddedness moderates spousal couples' power positions. Scholars note that family context plays a critical role in entrepreneurship, and spousal co-owners constitute a large proportion of multimember teams (Aldrich and Cliff 2003; Ruef 2010; Ruef et al. 2003). We theorize how conditions surrounding family households shift wives' and husbands' power positions when they join together to start new businesses (Budig 2006a, 2006b; Jurik 1998).

The first condition concerns husbands' and wives' wage jobs, apart from their involvement in new businesses. Some individuals become "pure entrepreneurs" by exiting their wage jobs, whereas others become "hybrid entrepreneurs" by engaging in venture creation while simultaneously working for wages (Folta, Delmar, and Wennberg 2010). When new businesses are embedded within families, decisions regarding their leadership are likely made by taking into account wives' and husbands' individual careers, as well as overall family well-being. Over the past four decades, women's employment has increased dramatically in the United States, resulting in a substantial increase in dual-earner families (Cotter, Hermsen, and Vanneman 2004). However, the male-breadwinner cultural norm has proven resilient and continues to shape the expectation that men should be the primary earners (Cha and Thébaud 2009; Gorman 1999; Thébaud 2010). The cultural norm of male breadwinners in families, interacting with the gendered expectation of male leaders in businesses, prescribes the appropriate power order between husbands and wives.

Husbands' and wives' employment statuses affect their power positions by affecting the congruence of the relationship between breadwinner and business leader expectations. In most scenarios, husbands are more likely to take the lead because managing new businesses facilitates fulfillment of their breadwinner roles and allows them to display their masculinity (Cha and Thébaud 2009; Thébaud 2010). However, when wage-earning husbands are left with sole responsibility for their families' financial well-being, pressures to assume the provider role compete with their engagement in new venture creation. Most new businesses are not initially profitable (Gimeno et al. 1997); a family's social welfare thus often depends heavily on outside income, especially the husband's salary (Budig 2006a). Accordingly, when husbands' breadwinner roles compete with their engagement in venture creation, they are less likely, whereas their wives are more likely, to manage the new business.

The second household condition concerns gendered expectations associated with motherhood and fatherhood. Previous research has extensively examined the effects of children on men's and women's socioeconomic attainment. Although the sizes of effects vary across contexts, motherhood generally has negative effects on women's earnings (Budig

2006a; Budig and England 2001; Budig and Hodges 2010; Correll et al. 2007), whereas fatherhood often leads to a "daddy bonus" for men in wage jobs (Glauber 2008; Hodges and Budig 2010; Killewald 2013).

Based on previous research, we hypothesize that gender expectations associated with fatherhood and motherhood jointly suppress men's advantages in leading spousal teams. Following Budig (2006b), we note two mechanisms that could lead to a positive association between motherhood and women's leadership in new businesses. First, spousal couples' expectations that women are primarily responsible for childcare shape the perception that a new business might provide a better balance between caring for children and earning family income, and thus it becomes primarily "her" domain (Budig 2006a; Carr 1996; Loscocco and Bird 2012; Phillips 2002). Second, employers' negative expectations for women who become mothers create wage penalties that may motivate women to pursue career success by taking the lead in their own businesses (Budig 2006b). Whereas effects of motherhood increase women's involvement in new businesses, fatherhood reinforces men's responsibility for financially supporting their families and compels them to prioritize wage jobs. Therefore, we expect fatherhood and motherhood jointly suppress men's tendency to take the lead and improve women's opportunities.

A scope condition for the positive effect of children on women's leadership concerns the extent to which mothers can concurrently cope with entrepreneurial tasks and manage home production (Jurik 1998). Motherhood could improve women's chances of managing new businesses if housework, childcare duties, and the business's core operations are under one roof. Self-employed mothers would have more chances to be in charge if their new businesses are located at convenient places, such as residential or personal properties (Carr 1996; Phillips 2002). Decisions regarding women's leadership may thus be taken into account when wives and husbands initially design their "home-based" new businesses.

Gender logic often leads to women's subordination, but it can also put wives in leadership positions, depending on couples' employment statuses and the number of children in households. Whether women's chances of taking the lead increase or decrease, the driving force in leadership formation in spousal teams is a gender ideology that shapes wives' and husbands' social roles and their responsibilities in households.

DATA, MEASURES, AND METHOD

We use data from the Panel Study of Entrepreneurial Dynamics II (PSED II) (http://www.psed.isr.umich.edu/psed/home) to analyze the effects of gender and merit in shaping leadership in entrepreneurial teams.

Data

PSED II is one of the few datasets designed to study new businesses and entrepreneurial teams. The research design for the PSED II consists of two phases. In the first phase, in 2005, a representative sample of 31,845 individuals living in the contiguous 48 states and the District of Columbia was screened to identify nascent entrepreneurs. When an adult age 18 years or older was identified and agreed to respond to the survey, a screening interview was conducted to identify nascent entrepreneurs, using a set of three general qualification questions. If respondents said "yes" to at least one question, three additional questions were used to ascertain whether respondents had taken any action to create a new business, whether they would share ownership of the new business, and whether the new business had become a fledgling firm. About 87 percent (1,214) of those identified as entrepreneurs agreed to participate in the study (Reynolds and Curtin 2009).

In the second phase, the University of Michigan Institute for Social Research conducted interviews to collect information on all the entrepreneurs. During the phone interview, respondents were asked, "How many people will legally own this new business: only you, only you and your spouse, or you and other people or businesses?" If

the respondent indicated others would share ownership in the venture, they were asked to identify up to five people who would have the highest level of ownership. Respondents were then asked to provide information about each co-founder.

Sample

In our analysis, we use data on mixed-sex teams because these are task-oriented groups in which a status or prestige order is formed based on group members' expectations of one another's status characteristics, and the presence of men and women in the same teams allow us to examine the extent to which cultural beliefs about gender and merit jointly shape status orders between the two sex categories (Berger et al. 1980). Nearly half of the new businesses in PSED II are owned by multiple owners, typically two to three owners. Among the multi-member teams, 66 percent are mixed-sex teams, 28 percent are all-men teams, and 6 percent are all-women teams. Within mixed-sex teams, 70 percent are spousal teams; the other two major social relationships connecting team members are kinship and friendship. In contrast to the large proportion of mixed-sex teams, 82 percent of entrepreneurial teams are same-race groups, and the vast majority (87 percent) of these consist of whites. These results are consistent with previous findings that entrepreneurial groups are highly homogeneous by race and ethnicity but heterogeneous by gender (Ruef 2010; Ruef et al. 2003).

The final sample used for our multivariate analysis includes 880 individuals in 362 mixed-sex entrepreneurial teams. Our analysis includes up to 30 variables, some of which have missing values. If we used listwise deletion—deleting any observations with missing data in any variables in the models—we would eliminate 17 percent of the 880 individuals in our analysis. Because listwise deletion may produce biased results if missing data are not missing completely at random, we conducted multiple random imputations.

Dependent Variable

The dependent variable for our analysis is whether an owner is in charge of the daily operations of the new business. Respondents were asked, "which of the owners would be considered in charge of day to day operations of the new business?" Response options were (1) one individual owner is in charge, (2) several owners jointly are in charge, and (3) all owners are equally in charge. Respondents were allowed to report multiple lead entrepreneurs, but only 9 percent of multi-member teams, and 6 percent of mix-sex teams, had more than one owner taking the lead. This finding is consistent with previous research suggesting that leadership in task groups is mostly assumed by a single individual to improve the efficiency of decision making and meet social traditions with respect to internal authority (Gould 2002).

Independent Variables

Status characteristics. Respondents reported *gender,* male or female, for themselves and their co-owners. We consider five criteria for *merit-based characteristics*: (1) years of work experience in the same industry where a new firm is created; (2) years of managerial experience; (3) startup experience—because most team members previously created only one startup, we use a dummy variable, *previously created startups or not,* in our models; (4) highest level of education an owner completed;[1] and (5) years of full-time paid work experience. The first three measures directly concern task competence relevant to leading or managing new businesses; research shows these criteria have significant effects on new ventures' performance and survival (DeTienne and Cardon 2012). Although education and general paid work experience are not specific to the context of starting new businesses, they are credentials indicating basic human capital qualifications in capitalist labor markets (Pager and Shepherd 2008).

Circumstances that reduce the level of uncertainty regarding merit. First, the extent to which team members have more shared life experiences that provide them with more evidence for each other's competence is measured by the number of years team members have known each other.

Second, the extent to which team members are ranked consistently based on multiple merit-based criteria is measured by two indicators, *the index of consistency* and an alternative measure, *standing of highest ranked individual*. For both indices, we consider the five merit-based criteria discussed earlier. We calculate the index of consistency using the following formula: $Index = \sum_{i=1}^{N}(P_i^2)$, where i indicates an owner, N indicates the total number of owners, and P_i is the proportion of the five criteria on which an owner ranks the highest. This index effectively measures the level of invariability of the five merit-based characteristics in predicting which member is superior, because it takes into account the number of criteria on which each member is superior, the number of criteria on which members are equally competent, and the size of a team.[2] This index potentially ranges from 0 to 1, and the observed range is .04 to 1.

To construct the alternative indicator, *standing of highest ranked individual,* we first identified which owner ranks highest most frequently according to the five merit-based criteria and then counted the number of merit-based criteria on which the person ranked highest. The potential range of this measure is from 0 to 5, and the observed range is from 1 to 5. Compared to the index of consistency, the alternative measure relies heavily on the extent to which a superior individual can be identified. These measures are highly correlated, as indicated by a Pearson correlation coefficient of .688.

Formalization of entrepreneurial ventures. Adopting written documents that signal teams' conformity to legitimate standards is measured by (1) whether owners signed formal agreements regarding ownership, and (2) whether teams completed a formal plan outlining their intended markets, the products or services to be provided, and the expected growth and profit.

Conditions that increase gender effects. PSED II asked about three *social relationships* between owners: spousal relationships, friendship, and kinship. Among the 362 mixed-sex teams, 14 (4 percent) include both spouses and other people (see Table 1). Because the number of such mixed-relationship teams is so small, we decided not to treat them as an independent category. We divided teams into spousal and non-spousal, and then examined models that included these mixed-relationships in spousal teams, non-spousal teams, or excluded them altogether from the two categories. None of these three categorizations made a difference in our results. The final results reported are from models that treat mixed-relationship teams as non-spousal teams.

We compare the effect of gender in spousal teams across four household scenarios regarding *wives' and husbands' full-time wage jobs* (not counting the new business): (1) husbands and wives both have full-time jobs (dual-earner couples); (2) only the husband has a full-time job; (3) only the wife has a full-time job; and (4) neither spouse has a full-time job. We measure *parenthood* by the number of children younger than age 17 in the household.

Control Variables

We control for the percentage of ownership held by each owner, owner's age, owner's race, and whether an owner has a wage job other than the new business. Table 1 presents descriptive results for all the variables.

Analytic Methods

Our analysis of "who gets to be the boss" addresses both within- and between-team heterogeneity, because we seek to understand why some entrepreneurs are more likely than their co-founders to become the leading person, and how within-team differences depend on a business's social conditions. Conditional logistic regression is well-suited for our

Table 1. Descriptive Statistics for Mixed-Sex Teams: Panel Study of Entrepreneurial Dynamics II

Team Level (362 Teams)

Variables	Percent	Variables	Percent
Male Leader	58	Index of Consistency for Merit	
Female Leader	36	[.04–.16]	14
Multiple Leaders	6	[.20–.36]	39
Team Size		[.40–.64]	42
2 people	72	[.68, 1.00]	11
3 people	14	Alternative Measure of Consistency	
4 people	8	1 lowest consistency	8
5+ people	5	2 low-intermediate	30
Team Type		3 intermediate	39
Spousal teams	70	4 high-intermediate	17
Spouse and other	4	5 highest consistency	5
Kin and friends	14	Formal Procedures	
Friends teams	7	Signed an ownership agreement	26
Kinship teams	5	Completed a plan	65
Race Composition		Spousal Couples' Full-Time Jobs	
Same-race group	82	Only husband has a full-time job	32
Location of New Business		Only wife has a full-time job	16
Residence or personal property	50	Both spouses have full-time jobs	23
Site of existing business	7	Neither spouse has a full-time job	29
Special location	8	Number of Children in Household	
Specific location not yet needed	35	0 none	40
Years Known to Each Other		1 one	18
<10 years	32	2 two	26
[10 to 20] years	27	3+ three or more	17
≥20 years	40		

Individual Level (880 individuals)

Variables	Mean	Variables	Mean
Work Experience in the Industry (years)	6	Age	40
Education Level	5	Ownership (percent equity)	44
Number of Startups Created	.46	Part-Time Work (percent)	13
Managerial Experience (years)	9	Full-Time Work (percent)	45
Work Experience with Pay (years)	18	Gender (percent of men)	53

analysis; it is essentially a fixed-effects model for dichotomous dependent variables that controls for any unobserved team-level heterogeneity, but it allows for interactions of individual- and team-level variables. When estimating the parameters, conditional logistic regression uses variations within teams to create difference scores and thus controls for any member-invariant covariates (Allison and Christakis 2006).

RESULTS

We first establish a baseline for hypothesis testing, clarifying the gendered pattern of leadership and the extent to which gender inequality exists, after controlling for merit. Building on the baseline, we then test our specifications regarding the contingencies moderating effects of merit and gender. In the tables, we use one-tailed tests of significance

when assessing our hypotheses and two-tailed tests when assessing the statistical significance of control variables.

Establishing a Baseline

We examine merit and gender effects by conducting fixed-effects logistic regression. In Table 2, our baseline model (Model 1) shows that after controlling for age, ownership, race, and working status, the odds of men being the boss are 70 percent higher than for their female counterparts.

To determine whether gender inequality in leadership persists after controlling for competencies, we added the five merit-based criteria in Model 2: work experience in the same industry where a new venture is created, managerial experience, startup experience, education level, and paid work experience. Some of the gender difference in leadership is explained by gender differences in merit; the odds ratio for the gender coefficient (where male = 1) becomes smaller than in the baseline model. Nonetheless, after taking into account our merit-based indicators, men's odds of being the boss are still 37 percent higher than the odds for women. Two of the five merit-based variables have significantly positive effects: each additional year of work experience in the same industry increases the odds of being the boss by 5 percent, and prior entrepreneurial experience increases the odds by 87 percent. Given the sizes of the parameters for merit-based criteria and gender, women would need seven more years of work experience in the same industry to close the sizeable gender gap in the odds of becoming the boss.[3]

Uncertainty Regarding Merit

Building on the baseline findings, we next explore the extent to which uncertainty regarding individual competency moderates the effect of gender and merit (Models 3 through 5 in Table 2). We proposed two circumstances that should reduce the level of uncertainty and thus orient entrepreneurial teams toward relying more on merit and less on gender bias in leadership formation. The first circumstance involves the extent to which team members have more joint life experience. The indicator of this condition is the natural logarithm of the number of years team members have known each other.

We found statistically *insignificant* effects for the length of time team members have known each other. Research shows that strangers are rare in entrepreneurial teams, because most members are recruited through previous connections of long duration (Ruef 2010). Among the teams in our sample, only 11 percent include individuals who knew each other fewer than five years, and 30 percent of teams had individuals who knew each other for more than 25 years. Regardless of how long people have known one another, our results show that the power of gender logic remains strong and undiminished by familiarity.

The second condition regarding uncertainty is the extent to which team members are consistently ranked across multiple merit-based criteria of competency. We tested the effect of consistency using the *index of consistency* in Model 4 and the alternative measure, *standing of highest ranked individual,* in Model 5. In these models, we added the interaction of the consistency measure with gender, as well as the interactions of the consistency measure with the two merit-based criteria that have significant main effects.

Across both models, we found that consistent ranking across multiple merit-based criteria significantly reduces gender effects. In Model 4, when the level of consistency in a team is zero, that is, when team members cannot be clearly differentiated according to any of the five merit criteria, the coefficient of the main effect of gender is .794, indicating that male entrepreneurs' odds of taking the lead are twice those of their female co-founders. However, the male advantage bestowed by gender logic becomes substantially smaller as the level of consistency increases. Taking the two most frequently observed scenarios as examples, in a two-person team where member A is superior on one merit-based criterion, member B is superior on two criteria, and they are equally competent on two other criteria, men's odds of taking the lead are 70 percent higher than for women (equal to

Table 2. Conditions Regarding Uncertainty That Influence Who Manages the Daily Operation of New Businesses (Conditional Logistic Regression)

Parameter	Model 1. Baseline	Model 2. Merit	Model 3. Years Known	Model 4. Consistency-1	Model 5. Consistency-2
Gender (male)	.533†††	.318†	.438††	.794††	1.099††
	(.135)	(.153)	(.167)	(.294)	(.434)
Work Experience (years)		.050†††	.049†††	.048†	.074†
		(.013)	(.012)	(.028)	(.042)
Education Level		.049	.062	.078	.070
		(.086)	(.091)	(.088)	(.088)
Startup Experience		.628††	.753†	.620†	.730†
(yes/no)		(.226)	(.251)	(.295)	(.336)
Managerial Experience		–.007	.002	–.003	–.004
(years)		(.014)	(.015)	(.014)	(.014)
Work Experience with		.020	.015	.020	.019
Pay (years)		(.015)	(.017)	(.015)	(.016)
Gender (male) x Log			.034		
Years Known			(.205)		
Work Experience x Log			–.014		
Years Known			(.017)		
Startup Experience x			.374		
Log Years Known			(.307)		
Gender (male) x				–1.313†	–.295†
Consistency				(.695)	(.154)
Work Experience x				.019	.034
Consistency				(1.089)	(.256)
Startup x Consistency				.009	.005
				(.055)	(.013)
Control Variables					
Age	–.008	–.042*	–.052**	–.045**	–.045**
	(.011)	(.017)	(.020)	(.017)	(.017)
Ownership	.045***	.040***	.045***	.041***	.041***
	(.008)	(.008)	(.010)	(.008)	(.008)
White	.280	.279	.445	.279	.259
	(.381)	(.405)	(.429)	(.414)	(.415)
Part-time work	–.137	–.170	–.190	–.189	–.211
	(.271)	(.293)	(.318)	(.295)	(.295)
Full-time work	–.704***	–.677**	–.789**	–.713**	–.713***
	(.205)	(.222)	(.240)	(.224)	(.225)
Obs.	880	880	880	880	880
AIC	463.739	439.572	442.573	438.926	439.386
–2 Log L	451.739	417.572	414.573	410.926	411.386

Note: Main effects for team-level variables are not shown because they are invariant among individuals in the same teams and thus are canceled out in fixed-effects models.
$^{\dagger}p < .05$; $^{\dagger\dagger}p < .01$; $^{\dagger\dagger\dagger}p < .001$ (one-tailed tests).
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$ (two-tailed tests).

exp[.794 – 1.313 x .2]). By contrast, if member A is superior on one merit-based criterion, member B is superior on three criteria, and they are equally competent on only one criterion, men's odds of taking the lead are 31 percent higher than for women (equal to exp[.794 – 1.313 x .4]). This illustration shows that the effect of gender becomes significantly weaker when multiple merit-based criteria lead to consistent expectations for which member is superior. In Model 5, results using the alternative measure show the same pattern, although because the two measures are in different units of measurement, the main effect of gender is relatively larger and the effect of consistency is relatively smaller. For both our indicators, results from Models 4 and 5 confirm the positive effect of consistency on reducing gender's influence.[4]

Formalization of Entrepreneurial Ventures

We theorized that founders' organizing blueprints influence how they coordinate their relationships and that formalized organizing procedures reduce gender inequality. We created two indicators of formalization: (1) whether teams signed a formal agreement on shares of ownership, and (2) whether teams completed a formal plan. Models 1 and 2 in Table 3 display our results.

With regard to the first indicator, Model 1 shows that having signed a formal agreement regarding ownership substantially *reduces* gender inequality in leadership and substantially *increases* the effect of startup experience. Whereas men are 85 percent more likely than women to be in charge when team members have not yet signed a formal agreement (equal to exp[.614]), men and women have about the same chance to lead when a team has adopted a formal ownership agreement (equal to exp[.614 – .603] = 1.011). We also found that signing an agreement significantly enhances the effect of startup experience. In teams lacking an agreement, startup experience does not have a significant effect on leadership, whereas in teams with an agreement, having created at least one previous startup increases an entrepreneur's odds of taking the lead by a factor of three (equal to exp[1.385] – 1).

With regard to the second indicator of formalization, results in Model 2 show substantial effects of completing a formal business plan on reducing gender bias and promoting merit. For example, when entrepreneurial teams have not made a formal plan, men's odds of taking the lead are twice as high as the odds for women (equal to exp[.843]), and work experience has no effect on leadership formation. However, when teams have completed a formal plan outlining target markets and the economic goals they intend to achieve, the magnitude of gender bias against women is reduced by half (equal to 1 – exp[–.624]). We also found that the effect of work experience is amplified when teams have completed their business plans. These results support our prediction that when formal procedures are adopted and economic benefits made salient, entrepreneurial teams are more likely to rely on merit-based qualifications and less likely to rely on gender.

Spousal Relationships Are Special

We argued that gendered expectations associated with social relationships create varying levels of pressure on entrepreneurs to initiate gender-typical behaviors. We anticipated that when entrepreneurs are connected by non-spousal relationships, gender would exert a weaker effect on leadership formation. In contrast, when team members are connected by spousal relationships, characterized by figurative displays of gender accountability, gender logic should be more salient and lead to more pronounced gender inequality. To test our conjectures, in Table 4 we compare effects of gender in spousal and non-spousal mixed-sex teams, while controlling for merit-based characteristics and effects of uncertainty and formalization. In Model 1, we develop a baseline model by including all the variables for consistency, uncertainty, and formalization that have significant effects on suppressing gender bias and promoting merit. In this baseline model, all of our previous findings regarding consistency, uncertainty, and formalization persist, although the sizes of the effects are smaller.

Table 3. Conditions Regarding Formalization That Influence Who Manages the Daily Operation of New Businesses (Conditional Logistic Regression)

Parameter	Model 1. Signed an Agreement	Model 2. Completed a Plan
Gender (male)	.614††	.843††
	(.212)	(.268)
Work Experience (years)	.041††	.008
	(.015)	(.020)
Education Level	.056	.058
	(.094)	(.093)
Startup Experience (yes/no)	.403	.813††
	(.264)	(.277)
Managerial Experience (years)	–.001	.001
	(.015)	(.015)
Work Experience with Pay (years)	.016	.010
	(.017)	(.017)
Signed a Formal Agreement on Ownership		
Gender (male) x signed an agreement	–.603†	
	(.350)	
Work experience x signed an agreement	.038	
	(.031)	
Startup experience x signed an agreement	1.385†	
	(.553)	
Completed a Plan		
Gender (male) x completed a plan		–.624†
		(.314)
Work experience x completed a plan		.067†
		(.026)
Startup experience x completed a plan		–.031
		(.231)
Control Variables		
Age	–.055***	–.049*
	(.019)	(.019)
Ownership	.043***	.046***
	(.010)	(.010)
White	.426	.447
	(.425)	(.431)
Part-time work	–.227	–.177
	(.313)	(.318)
Full-time work	–.820***	–.675**
	(.243)	(.237)
Obs.	880	880
AIC	393.299	394.667
–2 Log L	365.299	366.667

Note: Main effects for team-level variables are not shown because they are invariant among individuals in the same teams and thus are canceled out in fixed-effects models.
$^{\dagger}p < .05$; $^{\dagger\dagger}p < .01$; $^{\dagger\dagger\dagger}p < .001$ (one-tailed tests).
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$ (two-tailed tests).

Table 4. Comparing Gender's Effect on Who Manages the Daily Operation of New Businesses in Spousal and Non-spousal Teams (Conditional Logistic Regression)

Parameter	Model 1. Baseline	Model 2. Spousal Relations
Gender (male)	.736†	.893††
	(.311)	(.373)
Work Experience (years)	.056†††	.029†
	(.014)	(.016)
Education Level	.100	.105
	(.097)	(.098)
Startup Experience (yes/no)	1.331†††	.474†
	(.356)	(.273)
Managerial Experience (years)	.005	.006
	(.016)	(.016)
Work Experience with Pay (years)	.015	.012
	(.017)	(.017)
Uncertainty and Formalization		
Gender (male) x consistency	–1.326†	–1.310†
	(.675)	(.693)
Gender (male) x signed an agreement	–.329†	–.426
	(.180)	(.358)
Startup experience x signed an agreement	.822†	1.799†
	(.352)	(.720)
Gender (male) x completed a plan	–.297†	–.007
	(.150)	(.296)
Work experience x completed a plan	.025†	.055†
	(.013)	(.026)
Spousal Relationships		
Gender (male) x non-spousal relationships		–.346†
		(.185)
Control Variables		
Age	–.060**	–.059**
	(.020)	(.020)
Ownership	.045***	.044***
	(.010)	(.010)
White	.462	.522
	(.431)	(.433)
Part-time work	–.196	–.142
	(.319)	(.320)
Full-time work	–.853***	–.843***
	(.246)	(.247)
Obs.	880	880
AIC	390.49	398.124
–2 Log L	358.49	364.124

Note: Main effects for team-level variables are not shown because they are invariant among individuals in the same teams and thus are canceled out in fixed-effects models.
$^{\dagger}p < .05$; $^{\dagger\dagger}p < .01$; $^{\dagger\dagger\dagger}p < .001$ (one-tailed tests).
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$ (two-tailed tests).

In Model 2 of Table 4, we compare gender effects in spousal and non-spousal teams by adding the interaction of gender and a dummy variable indicating that a team is non-spousal (spousal teams are the control group). We found the gender effect is significantly smaller in non-spousal teams: the magnitude of gender inequality in non-spousal mixed-sex teams is about 71 percent of that in spousal teams (equal to exp[–.346]).

Model 2 includes both spousal relationships and conditions concerning uncertainty and formalization, allowing us to examine their contingencies. First, note that our results regarding consistency and the effects of formalization on promoting merit remain robust. Second, the two indicators of formalization—signing a formal agreement and completing a formal plan—no longer have significant effects on suppressing gender logic, once we control for spousal relationships. Compared to friends and relatives, spousal teams are less likely to use formal procedures to manage their task relationships, perhaps due to the high level of trust shared by husbands and wives. About 45 percent of non-spousal teams signed a formal agreement regarding ownership, compared to only 20 percent of spousal teams. Similarly, whereas 69 percent of non-spousal teams completed a formal business plan, only 63 percent of spousal teams did so. These results suggest that the social relationships connecting team members lead them to adopt specific kinds of organizing templates to coordinate their task relations, based on whether spouses are involved as owners.

Family Embeddedness Moderates Gender Inequality in Spousal Teams

We turn now to an examination of how social conditions surrounding families shift wives' and husbands' power positions in spousal teams. Because about 70 percent of mixed-sex teams are spousal teams, and our analysis has demonstrated that gender is more salient in spousal than in non-spousal mixed-sex teams, the following analysis focuses on spousal teams.

We first consider how wives' and husbands' employment statuses jointly shape within-team gender disparities in leadership (Model 1 in Table 5). Our argument suggested that wives' likelihood of taking the lead would be higher only when husbands' provider roles conflict with their leader roles in new businesses. In Model 1, we include three two-way interactions of gender and a dummy variable for spousal couples' employment status: (1) only the husband has a full-time job; (2) only the wife has a full-time job, and (3) husbands and wives both have full-time jobs (dual-earner couples). Accordingly, the three two-way interaction effects contrast the difference between the three types of spousal couples and the reference group (spousal couples in which neither person has a full-time job).

Our comparison of the four household types supports our prediction that husbands are more likely to manage new businesses in all scenarios except when they are the only wage-earner in the family. Husbands' leadership remains the same in couples in which both spouses have full-time jobs, only the wife has a full-time job, and neither spouse has a full-time job. However, when husbands are the only wage-earner, wives' odds of taking the lead are 44 percent higher than husbands' (equal to 1 – exp[.773 – 1.352]).

The other family contingency of interest concerns responsibility for children, which we argued reinforces gender logic in families by stimulating expectations associated with motherhood and fatherhood. In Model 2 of Table 5, we first investigate the effect of young children on wives' and husbands' task roles by including the interaction of gender and the number of young children in households. When there are no children in a household, men's odds of leading entrepreneurial teams are three times as high as the odds for women (equal to exp[1.177]). However, the gender difference in leadership is reduced by 33 percent (equal to 1 – exp[–.399]), 55 percent (equal to 1 – exp[–.399 x 2]), and 70 percent (equal to 1 – exp[–.399 x 3]), when the number of young children in a household increases by one, two, and three, respectively.

Table 5. Conditions Regarding Family Embeddedness That Moderate the Effect of Gender on Who Manages New Businesses Owned by Spousal Teams (Conditional Logistic Regression)

Parameter	Model 1. Outside Jobs	Model 2. Children	Model 3. Home-Based Only	Model 4. Non–Home-Based Only
Gender (male)	.773†	1.177††	1.544††	1.424†
	(.348)	(.398)	(.598)	(.736)
Work Experience (years)	.066†††	.072†††	.040†	.244†††
	(.018)	(.019)	(.020)	(.069)
Education Level	.091	.096	.045	.303
	(.122)	(.125)	(.208)	(.192)
Startup Experience (yes/no)	.457	.451	.805†	.600
	(.305)	(.314)	(.445)	(.620)
Managerial Experience (years)	–.010	–.014	–.015	–.012
	(.019)	(.019)	(.027)	(.039)
Work Experience with Pay (years)	.023	.020	.067†	–.056
	(.020)	(.020)	(.033)	(.039)
Control Variables				
Age	–.044	–.040	–.086*	.020
	(.035)	(.037)	(.052)	(.079)
Ownership	.034**	.038***	.052***	.030
	(.010)	(.011)	(.015)	(.020)
White	.324	.187	–.433	1.004
	(.525)	(.529)	(.717)	(1.044)
Interaction of Gender and Household Conditions[a]				
Gender (male) x only husband has a full-time job	–1.352††	–1.293††	–1.028†	–2.320††
	(.424)	(.435)	(.625)	(.854)
Gender (male) x only wife has a full-time job	–.360	–.274	.196	–1.831†
	(.518)	(.529)	(.733)	(1.060)
Gender (male) x both spouses have full-time jobs (dual-earner couples)	.120	.048	–.041	–.199
	(.494)	(.501)	(.678)	(.987)
Gender (male) x number of young children		–.399††	–.828†††	.057
		(.159)	(.227)	(.296)
Obs.	506	506	282	224
AIC	268.755	253.79	148.96	101.938
–2 Log L	244.755	227.79	122.96	75.938

[a]Reference group is couples in which neither partner has a full-time job other than their new business.
Note: Main effects for team-level variables are not shown because they are invariant among individuals in the same teams and thus are canceled out in fixed-effects models.
$^{\dagger}p < .05$; $^{\dagger\dagger}p < .01$; $^{\dagger\dagger\dagger}p < .001$ (one-tailed tests).
$^{*}p < .05$; $^{**}p < .01$; $^{***}p < .001$ (two-tailed tests).

These results suggest that men's advantage in taking the lead decreases as the number of children in a household increases, and eventually, when a household has at least three children, women's odds of taking the lead are higher than those for their husbands.

In Models 3 and 4, we examine a possible scope condition for the positive effect of having more children on reducing gender inequality in leadership: the location of a new business. Because we argued that home-based new businesses allow mothers to concurrently manage new businesses and assume housework duties, we test the influence of young children on gender (husbands-to-wives) differences in leadership in home-based and

non–home-based new businesses separately (Models 3 and 4, respectively). Results show that the positive effect of children on promoting women's leadership is significant only in home-based new businesses. Only when new businesses are located at convenient places are mothers taking on the double duty of managing a new business and performing housework and childcare duties.

DISCUSSION

Every year, millions of Americans embark on new business creations, but few studies have examined entrepreneurs' access to power or status positions in their new businesses (Aldrich and Ruef 2006; Ruef et al. 2003). Drawing on a unique dataset, the Panel Data of Entrepreneurial Dynamics II, we investigated the mechanisms explaining leadership formation in entrepreneurial teams. Our central findings concern the pervasive influence of gender logic in shaping status distinctions among entrepreneurs. We found that the influence of gender logic extends to the creation of autonomous business groups, despite the prevalence of strong meritocratic pressures in this highly competitive context (Castilla and Benard 2010).

Women have even fewer chances to be in charge when they co-found new businesses with their husbands. When entrepreneurs are connected by friendship or kinship ties, in which gendered cultural meanings are muted and the level of gender egalitarianism is relatively high, the process of leadership formation is much less influenced by gender. By contrast, the significantly higher level of normative expectations for male breadwinners and female homemakers in married couples fundamentally imprints and genders task relations in new businesses (Bianchi et al. 2000; Bittman et al. 2003; Nock 1998). Our results suggest that women would face relatively fewer disadvantages in leading businesses, were it not for effects of masculine/feminine accountability embedded in spousal relationships.

Within spousal teams, conditions surrounding families—spousal couples' relative earnings and their responsibilities for children—moderate wives' and husbands' power positions. In most scenarios, leadership is more likely to rest with the stereotypical breadwinner husbands who are expected to take the lead in creating profitable new ventures. However, women's likelihood of being in charge increases when their husbands' wage jobs are the only source of household income, and when couples create new businesses as wives' domains for home production and childcare. Although these latter results are seemingly positive, in so far as women have an increased likelihood of becoming the boss, they can also be attributed to husbands' predominant breadwinner roles and women's compromises for the sake of their families (Carr 1996; Gorman 1999; Jurik 1998).

Despite the centrality of gender logic in our explanations, we must also note that we found evidence for the importance of meritocratic logic, as shown in our results for the influence of several key merit indicators, as well as findings regarding uncertainty over team members' competencies and the formalization of organizational practices. When expectations derived from multiple status characteristics are consistent, and when entrepreneurial teams adopt bureaucratic templates, entrepreneurs rely more on industry experience and prior startup experience, and less on gender, to draw inferences about competence (Berger et al. 1992). Our results confirm Weber's (1968) insight regarding the extent to which bureaucratic templates in modern organizations raise the salience of merit-based qualifications (Baron et al. 2007; Phillips 2005).

Surprisingly, we found that the length of time team members have known each other does not reduce effects of gender logic, contrary to our expectation that individuals learn from joint life experiences about their cofounders' universalistic competencies and would thus downplay gender as a qualification. This lack of a familiarity effect suggests that when individuals habitually use gender to organize their interactions over the years,

they simply take gender logic for granted or have their views reinforced, based on gender stereotypes. This finding supports gender scholars' arguments that gender often acts as an unacknowledged cultural and cognitive principle lurking beneath the surface of all social interactions, making it difficult to bring potential gender bias into the open (Ridgeway and Correll 2004).

Contributions

Our study of entrepreneurial teams unpacks the mechanisms that explain gender inequalities in naturally forming groups when people configure their task relationships on their own. Because the business entities we investigated are still emerging and organizational arrangements are still under negotiation, we can provide novel insights into gender inequality mechanisms that contrast with those found in established organizations. In addition to demonstrating the salience of gender logic in autonomous business groups, our analysis of the formal templates that entrepreneurial teams adopt reveals the organizational contingencies that moderate effects of gender logic. Despite gender logic's pervasiveness, our results show that its effects weaken if entrepreneurial teams incorporate meritocratic principles. Furthermore, because a substantial number of spousal pairs are involved in creating new businesses, our analysis of spousal teams has the unique advantage of identifying connections between gendered workplace processes and gendered family processes (especially masculinity in the family) in a way that most current studies cannot, given the usual decoupling of work and family in contemporary society.[5]

Our main contribution lies in our empirical identification of a primary mechanism by which gender inequality arises in naturally forming groups, in spite of the broad cultural appeal of meritocracy. Previous studies of formal organizations have explained gender inequalities in status attainment using structural perspectives or cultural and institutional accounts (Acker 2006; Barnett, Baron, and Stuart 2000; Bridges and Nelson 1989). Scholars have emphasized the historical accumulation of occupational structures and organizational arrangements that disadvantage women, identifying mechanisms such as sex segregation (Barnett et al. 2000), internal labor markets (Rosenfeld and Kalleberg 1990), employers' prejudice (Correll et al. 2007), and in-group favoritism (Beckman and Phillips 2005; Gorman 2005; Gorman and Kmec 2009; Kanter 1977). Our results demonstrate, however, that gender inequalities arise *even when* organizational arrangements have not yet been established.

We believe the key mechanism explaining gender inequalities in naturally occurring groups is the "mediating interactional mechanism" proposed by Ridgeway (1997). According to Ridgeway (1997:230), sex categorization is automatically activated in social interactions when gender inequalities are injected into new institutional arrangements by taken-for-granted interactional processes: "interactional mechanisms are sufficient in themselves to create gender inequality in pay and power among the participants and to generate sex-typing of work; as a result, any new organizational structures or practices that emerge from actions under these conditions will themselves embody gender hierarchy." Although some scholars have drawn on this perspective to explain gender inequality in less structured work settings (Gorman 2005), our research is the first to document the process of creating gender inequality in newly founded independent organizations.

We note that two distinct properties of entrepreneurial groups facilitate the production of gender inequality in entrepreneurs' social interactions. First, entrepreneurial groups are naturally forming groups comprising closely related people, mostly spouses, friends, and relatives. Unlike strangers, whose initial encounters give them little on which to form expectations other than gender and other status characteristics, almost all entrepreneurs and their co-founders have already formed well-defined gender identities and expectations through everyday social interactions (Ruef et al. 2003). Because a large proportion

of entrepreneurial teams involve spousal relationships, gender inequality is essentially reinscribed into the newly emerging organizations: family-based gender identities imbued with masculine/feminine accountability are transferred into business settings.

Second, gender status beliefs constitute prescriptions for incumbent business managers or entrepreneurial leaders, to the extent that gender stereotypes become effectively salient in social interactions (Calas et al. 2009; Gorman 2005; Gorman and Kmec 2009). When entrepreneurs organize leadership within their teams, their expectations rely heavily on assessments of one another's competence, as framed by principles perceived as legitimate and appropriate within their environments (Aldrich and Yang 2012; Meyer and Rowan 1977). To the extent that attributes of business leaders are intrinsically tied to masculinity, gender logic is perceived to be an externally legitimized standard, and social interactions are heavily affected by team members' sex categorizations.

Another contribution of our research concerns the relevance of meritocracy and its limited effect in newly founded business organizations. As NIT scholars have argued, meritocracy is culturally accepted as a distributive principle in most capitalist societies, and meritocratic systems—pay for performance and pay for skills—are incorporated into the rationalization of modern organizations (Meyer and Rowan 1977). Consistent with institutional accounts, we found evidence that merit-based qualifications significantly shape status formation in entrepreneurial teams, and merit's effect intensifies when bureaucratic organizing templates are adopted (Aldrich and Yang 2012; Meyer and Rowan 1977). At the very beginning of the organizing process, half the non-spousal teams in our sample had made formal business plans and over a third had signed formal agreements regarding ownership. Clearly, many founders incorporate meritocratic standards and model their organizational templates on taken-for-granted organizational forms accessible in their institutional environments. Our exploratory analysis of the sample showed that as some of these new organizations survive through successive panel waves, more and more teams, both spousal and non-spousal, adopt formal organizational practices and meritocratic templates. Accordingly, the population becomes more isomorphic with the ideal type of formal merit-based organizational practices (DiMaggio and Powell 1983).

However, the influence of formal organizing templates on entrepreneurial teams is offset, to some extent, by the countervailing effect of informal relationships connecting team members, especially spousal relationships. Compared to other social relations, spousal relationships involve higher levels of trust, intimacy, and mutual dependence, which constrain wives and husbands from adopting formal procedures to regulate their business relations (Bittman et al. 2003; Nock 1998). In fact, at the initial stage, slightly less than one-fifth of spousal teams had signed an agreement regarding ownership—a procedure that would, if enacted, substantially reduce disadvantages for women. Perhaps when spousal teams act as bounded solidarities, the formal exchange rules embodied in meritocracy contradict the notion of "common wealth" that is deeply rooted in spousal relationships. As a result, meritocracy is superseded by the institutionalized expectations embedded in spousal relationships: gender logic.

Our results demonstrate the importance of bringing families back into research on entrepreneurship. Some scholars have argued that families remain a central organizing unit in capitalist societies, serving as a recruiting pipeline for team members and a key funding source, but very few studies examine the effects of families on shaping the process of new venture creation (Aldrich and Cliff 2003). Indeed, the vast majority of entrepreneurial teams are composed of family members, including spouses and other kin (Ruef et al. 2003). Our results show that when families serve as the crucible for new venture creation, social interactions within them impose strong constraints on task relationships, and gender-stereotyped relations in families may be

directly transplanted into new businesses. Echoing Carr's (1996) strong argument that research on women entrepreneurs *must* take account of family composition and other family-related conditions, our results demonstrate that women's chances of assuming leadership positions in new businesses are substantially influenced by their husbands and children. These findings regarding women's subordination in new businesses show the necessity of theorizing the role that family plays in shaping inequalities in entrepreneurship. Perhaps the enduring power of gender logic within family-based businesses also contributes to the perpetuation of gender logic in the larger society, given the hundreds of thousands of businesses that enter and exit the economy each year. Every family-based business is a potential reminder of the power of gender logic over the logic of merit.

Limitations and Future Considerations

Questions regarding leadership and status distinctions in entrepreneurial teams deserve more systematic examination. While we have taken a step toward bridging theories of gender and entrepreneurship, we see two potential ways to advance our understanding of social inequalities in entrepreneurship. First, whereas we compared gender inequality across scenarios regarding spousal couples' *employment status,* the effect of *relative earnings* in dual-earner spousal teams merits future inquiry. Scholars of gender inequality have proposed the "gender deviance neutralization" argument, and analyzed effects of spousal couples' relative attainment in the market on their division of household labor (Bittman et al. 2003; Brines 1994; Schneider 2012). Entrepreneurial teams may be another interesting setting in which to test the theory of gender deviance neutralization, because they involve intense interaction within spousal couples, and their tasks are historically male-typed. Future research designs may obtain in-depth information on spousal couples' relative earnings and their intentions of retaining or exiting wage jobs.

Second, we believe our results indicate that different mechanisms drive gender inequalities in new businesses versus large corporations, and thus a promising line of inquiry would be to examine how gender inequality varies across stages of business organizations' life courses. Future research designs may extend the time frame from the initial organizing stage to later stages when new businesses become established and a few grow into much larger organizations. It would be interesting to examine under what conditions the tasks imprinted by gendered expectations associated with family are modified or eliminated when new businesses begin recruiting employees and establishing formalized task relations. When new businesses grow and face strong pressure from stakeholders to produce profits, to what extent will the initial leadership team be modified by external influences? In particular, if men became the leaders of new organizations, despite women team members having higher qualifications, is that inequity ever rectified? Similarly, if women lead new businesses early on, based on the triumph of merit over gender logic, will they be able to sustain their positions in a society where gender logic still plays a large role? Answering these questions provides great opportunities for developing an in-depth and comprehensive understanding of the emergence and evolution of leadership and the varying extent of gender inequality in business organizations.

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Notes

1. We differentiate 10 levels of education: (1) up to 8th grade; (2) some high school; (3) high school degree; (4) technical or vocational degree; (5) some college; (6) community college degree; (7) bachelor's degree; (8) some graduate training; (9) master's degree; and (10) Law, MD, PHD, or EDD degree.
2. This formula is adapted from the Gibbs-Martin index of diversity (also known as the Blau index of diversity), which is routinely used in previous literature as an effective way to measure variability for nominal variables (Blau 1977).
3. In Part A of the online supplement, we offer a more detailed assessment of the merit-based characteristics of leaders and their co-owners, as well as within-team gender differences in merit-based criteria (http://asr.sagepub.com/supplemental).
4. In Part B of the online supplement, we show our tests of the possibility that under conditions of inconsistent rankings, double standards are being applied, with women held to a higher standard than men. We found no evidence of a gender effect for merit-based consistency; the effect is gender-neutral.
5. We thank an anonymous reviewer for pointing this out to us.

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